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INQUIRE=DOC18D
ITEM NO=00401289
ENVELOPE

CDSN = LGX578 MCN = 92193/14182 TOR = 921931103
RTTUZYUW RUEKJCS8016 1931104-UUUU--RUEALGX.
ZNR UUUUU

HEADER

R 111104Z JUL 92
FM JOINT STAFF WASHINGTON DC
INFO RUEADWD/OCSA WASHINGTON DC
RUEAHQA/CSAF WASHINGTON DC
RUCGDEF/NATS PENTAGON WASHINGTON DC
RUEADWD/PTC WASH DC
RUFGAID/USEUCOM AIDES VAIHINGEN GM
RHDLCNE/CINCUSNAVEUR LONDON UK//N2/N22//
RHHMMCY/JICPAC HONOLULU HI
RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//
RUCJACC/USCINCCENT MACDILL AFB FL//CARA//
RUQYSDG/FOSIF ROTA SP
RULKQAN/MARCORINTCEN QUANTICO VA
RUSNNOA/USCINCEUR VAIHINGEN GM
RUEALGX/SAFE
R 101440Z JUL 92

FM AMEMBASSY LUXEMBOURG
TO RUEHC/SECSTATE WASHDC 2641
INFO RUEATRS/DEPT TREASURY WASHDC
RUFHAD/AMEMBASSY ABU DHABI 0117
RUFHLD/AMEMBASSY LONDON 2450
RUFHFR/AMEMBASSY PARIS 3935
BT

DEPARTMENT OF STATE

☒ RELEASE () DECLASSIFY
() EXCISE () DECLASSIFY
() DENY IN PART
() DELETE Non-Responsive Info
FOIA Exemptions _____
PA Exemptions _____

IS/FPC/CDR

MR Cases Only:
EO Citations _____

Date

9/8/94

TS authority

() CLASSIFY as () S or () C OAI
() DOWNGRADE TS to () S or () C OAI

CONTROLS

UNCLAS SECTION 01 OF 02 LUXEMBOURG 00920

DEPARTMENT FOR EC/IFD/OMA
STATE PASS FRB

TREASURY FOR COMPTROLLER - BANK SUPERVISION
OPERATIONS/POLICY

E.O. 12356: N/A

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, EINV, LU
SUBJECT: LUXEMBOURG'S BCCI CREDITORS AGAINST
ABU DHABI INDEMNIZATION PLAN

REF: LUXEMBOURG 17 (DTG 061603Z JAN 92)

SUMMARY

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1. A LUXEMBOURG COURT WILL DECIDE JULY 20 WHETHER TO APPROVE THE INDEMNIZATION PLAN FOR BCCI SUBMITTED BY THE GOVERNMENT OF ABU DHABI. TWO OF THE FIVE MEMBERS OF THE LUXEMBOURG COMMITTEE OF BCCI CREDITORS HAVE COME OUT AGAINST IT. ALTHOUGH THE LONDON HIGH COURT AND A CAYMAN ISLAND TRIBUNAL HAVE ALREADY APPROVED THE PLAN, IT IS NOT A FOREGONE CONCLUSION THAT THE LUXEMBOURG COURT WILL APPROVE THE PLAN. END SUMMARY.

ABU DHABI'S USDOLS 1.7-BILLION PLAN TO INDEMNIFY
BCCI CREDITORS

2. LUXEMBOURG'S COMMERCIAL TRIBUNAL IS EXPECTED TO DECIDE JULY 20 WHETHER TO APPROVE THE INDEMNIZATION PLAN SUBMITTED TO THE COURT IN JUNE BY THE GOVERNMENT OF ABU DHABI. THE PLAN CALLS FOR USDOLS 1.7 BILLION TO BE PAID AS DAMAGES AND INTEREST TO BCCI'S CREDITORS, BUT WOULD REQUIRE CREDITORS AS WELL AS LIQUIDATORS TO REFRAIN FROM INSTITUTING ANY LEGAL ACTION AGAINST SHEIK ZAYEB, HIS FAMILY OR CLOSE ASSOCIATES. APPEARING BEFORE THE TRIBUNAL JUNE 30, A REPRESENTATIVE OF THE BRITISH AND CAYMAN ISLAND LIQUIDATORS CALLED ON THE LUXEMBOURG JUDGES TO APPROVE THE PLAN.

3. TO BE IMPLEMENTED, THE ABU DHABI PLAN MUST BE APPROVED BY ALL THREE JURISDICTIONS RESPONSIBLE FOR BCCI'S OPERATIONS: LONDON, THE CAYMAN ISLANDS, AND LUXEMBOURG. THE HIGH COURT OF LONDON APPROVED THE PLAN ON JUNE 8. (NOTE: APPARENTLY A GROUP OF 12 CREDITORS HAS ENTERED AN APPEAL IN LONDON WHICH WILL BE HEARD JULY 13.) THE CAYMAN ISLAND TRIBUNAL QUICKLY FOLLOWED LONDON'S EXAMPLE BY APPROVING THE PLAN.

SEVERAL CREDITORS OPPOSE THE PLAN AS FAVORING THE SHEIK TO THE DETRIMENT OF CREDITORS

4. TWO OF THE FIVE MEMBERS OF THE LUXEMBOURG COMMITTEE OF BCCI CREDITORS, ESTABLISHED BY THE TRIBUNAL WHEN IT DECIDED TO LIQUIDATE BCCI IN JANUARY 1992 (REFUEL), HAVE COME OUT AGAINST THE PLAN. TWO MEMBERS HAVE ENDORSED THE PLAN, WHILE THE FIFTH HAS ABSTAINED. ACCORDING TO THE TWO MEMBERS OPPOSING THE PLAN, THE GOVERNMENT OF ABU DHABI SHOULD INCREASE ITS INDEMNIZATION OFFER TO THE USDOLS 4.7 BILLION CLAIMED BY CREDITORS. THEY SAY

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THAT A QUARTER OF THE USDOLS 1.7-BILLION OFFER FROM THE SHEIK WILL GO TO INTERESTS IN ABU DHABI OR TO LIQUIDATORS OF BRANCHES OF BCCI IN THE UNITED ARAB EMIRATES.

COURT DISAPPOINTED BY LIQUIDATORS' ANSWERS

5. DURING THE JULY 8 HEARING, JAMES LINGUARD, HEAD OF THE BRITISH AND LUXEMBOURG COMMITTEE OF CREDITORS, ASKED THE COURT FOR CLARIFICATION OF THE USDOLS 2.2 BILLION OWED BY BCCI TO THE SHEIK WHO OWNED 77 PERCENT OF BCCI. ACCORDING TO PRESS ACCOUNTS OF THE HEARING, THE COURT EXPRESSED DISAPPOINTMENT THAT LIQUIDATORS WERE UNABLE TO PROVIDE ANY CLARIFICATION ON THE ORIGIN OF THE (NON-EQUITY) DEBT TO THE SHEIK. (NOTE: EARLIER THIS YEAR THE LUXEMBOURG COURT APPOINTED BRIAN SMOUHA OF THE BRITISH FIRM TOUCHE ROSS, AND TWO LUXEMBOURG LAWYERS AS LIQUIDATORS).

/***** BEGINNING OF SECTION 002 *****/
PROPOSAL TO SEEK VIEWS OF SMALL CREDITORS

6. THE PUBLIC PROSECUTOR SUGGESTED TO THE COURT JULY 8 THAT THE CREDITORS, PARTICULARLY THE SMALL CREDITORS, SHOULD HAVE THE FINAL SAY IN ACCEPTANCE OR REJECTION OF THE PLAN. HE PROPOSED THAT CREDITORS BE CONSULTED ON THE INDEMNIZATION AMOUNT AND SPECIFIC CONDITIONS. ONCE APPROVED BY THE CREDITORS, THE COURT WOULD GIVE FINAL CONSENT.

COMMENT

7. AT THIS POINT NO ONE IS TAKING BETS ON HOW THE COURT WILL DECIDE JULY 20. HOWEVER, JUDGING BY THE HARD QUESTIONS POSED TO LIQUIDATORS, IT APPEARS THAT THE COURT IS TAKING ITS MANDATE SERIOUSLY AND DOES NOT FEEL BOUND TO RUBBER STAMP THE DECISIONS OF THE LONDON AND CAYMAN ISLAND COURTS. ROWELL

ADMIN
BT

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